

VZCZCXRO6198  
PP RUEHDE RUEHDH RUEHDIR  
DE RUEHJI #0147/01 1121436  
ZNY CCCCC ZZH  
P 221436Z APR 09  
FM AMCONSUL JEDDAH  
TO RUEHC/ECSTATE WASHDC PRIORITY 1283  
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE  
RUEHDH/AMCONSUL DHAHAN 0023  
RUEKJCS/DIA WASHDC  
RUEAIIA/CIA WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 JEDDAH 000147

SIPDIS

DEPT FOR NEA/ARP, EEB

E.O. 12958: DECL: 04/22/2014

TAGS: [ECON](#) [ETRD](#) [EINV](#) [SA](#)

SUBJECT: JEDDAH BUSINESS LEADERS TAKE STOCK OF SHIFTING  
ECONOMIC CONDITIONS: AND GROWN MEN CRY

REF: A. 08 JEDDAH 497

[1](#)B. RIYADH 0577

JEDDAH 00000147 001.2 OF 002

Classified By: CG Martin R. Quinn for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary: In the second of a series of economic roundtables organized by Pol/EconOff, leading Jeddah businessmen, bankers and economists reflected on the current state of the economy with equanimity and cautious optimism. Hosted on the evening of April 15 by Mohamed Binzagr, a Saudi Arabian Monetary Authority board member and chairman of Binzagr group, one of the country's large family conglomerates, the discussion was kicked off with opening remarks by Dr. Said Al Sheikh, Chief Economist of the National Commercial Bank (NCB) and recent Shura Council appointee. Participants hailed from Samba, Saab, investment bank BMG and from the Balubaid, Zahid and Skab conglomerates, including Skab chairman Musallam Musallam. Collectively the group reflected the spectrum of experience felt by businesses in the region over the past six months ranging from tempered growth to loss and retrenchment. Attending the roundtable were CG, Pol/EconOff and CommOff. End Summary.

[1](#)2. (C) In sharp contrast to the first economic roundtable (ref A) where the participants largely echoed each other in surprising consensus, this group -- with Amr Khashoggi, Vice President Corporate Affairs at Zahid Group (the largest Caterpillar dealer in the world) the only holdover from the first roundtable -- voiced a variety of opinions on the last 6 months and the outlook for the rest of 2009. To a man they were fixated on the recent quarter's performance and on the present. None seemed willing to venture a guess about what lies down the road.

[1](#)3. (C) Dr. Said Al Sheikh clearly laid out the current strong reserve position which the KSA is enjoying, noting that the increase in reserves is an indication that lenders are still reticent to take risk. He and others remarked on the deficit in confidence. He also touched on the drop in the average per barrel price of oil noting that for the year NCB expects the price to be roughly \$45-46. This is substantially lower than the \$54 ppb projected by the bank when the SAG released its 2009 budget in late December. Dr. Al Sheikh told Pol/EconOff that the bank will release a report in approximately two weeks which officially revises that last projection. Still, he noted, the lower price provides sufficient revenue to push ahead all the mega-projects currently planned and the lower commodity prices available today will create cost savings for the public and private investors involved in financing these ventures. Looking

ahead, Al Sheikh expected that while the November-December-January panic might be over and the worst already seen, more bad news should be anticipated.

14. (C) Khalid Balubaid, whose family businesses includes a major General Motors distribution business as well as a number of food service businesses, said that thanks to internal cost-cutting measures of 30% his company had not only avoided layoffs but also saw increased sales in the first quarter over the same period last year. The crisis, while delayed in arriving in the KSA, he said, had actually pushed his company to be "more creative." Other participants noted that consumers were holding back, layoffs were taking place elsewhere in the country and the fabric of trust between employers and employees was fraying. One businessman cited confidence as a factor, faulting the media for playing a negative role. Basil Ghalayini, whose firm publishes the only stock index in the country and who was preparing numerous IPOs and other investment deals when the economy faltered, said he has had to cut staff and retrench. He seemed somewhat pessimistic but also remarked on what he expects will be a period of increased merger and acquisition activity -- particularly among and within the family businesses around town -- which will drive efficiency and foster innovation. He also noted the four newly-licensed investment banks, handful of newly announced insurance company IPOs, and the possible development of exchange traded funds at his firm (based on their index).

15. (C) In the most poignant report of the evening, Anees Moumina of Samba Bank said that he was seeing grown men cry in his office. Many of his clients, particularly those at or near retirement age have lost fortunes due to one mistaken investment decision. Some, especially those who invested in

JEDDAH 00000147 002.2 OF 002

Dubai or elsewhere outside the Kingdom, have lost everything built up over a lifetime or even generations. Mega-projects in Dubai were estimated to be as much as down 40% and participants resisted speculating on whether the wealth of Dubai ("a house of cards that has collapsed") might ever return. Moumina said he has seen homeless Saudis for the first time in Jeddah living on the Corniche near the Hilton and believes that downsizing has created tensions within families. His comment that the society lacks resources such as psychologists and other mental health professionals to help individuals deal with their losses brought nods of agreement from the group.

16. (C) In the only reference to the recent G-20 Summit in London, the participants briefly discussed the request made of Saudi Arabia to contribute a greater share to the IMF. Consistent with the response at the first roundtable which followed the first G-20 Summit in Washington, the group seemed more than comfortable with the SAG position that it was doing its part by investing heavily at home in infrastructure and development.

17. (C) With an eye toward the future of the region, one roundtable participant spoke of the Arab world needing as many as 80 million new jobs by 2020 to match population growth. Others cited the massive educational challenge and decried the dismal performance of Saudi students in subjects such as science and math, scoring near the bottom, 48th and 49th respectively, in a field of 50 countries surveyed. On a positive note, one business leader saw the King Abdullah University of Science and Technology (KAUST), due to open in September, as "a jewel" and one possible route for stimulating research, development and productivity in the country. Another commented on the rise of double income families in the Kingdom with increasing numbers of middle class Saudi husbands grasping the economic desirability -- if not necessity -- of having a wife able to draw an income in the work force.

18. (U) Comment: ConGen plans to convene a third economic

roundtable before Jeddawis scatter for the summer. Based on the enthusiasm evinced by this group for a discussion reaching beyond the economy to the sensitive realm of politics and social ills, we will aim to include a broader field of participants. ConGen will also host the American Businessmen in Jeddah roundtable in May providing another opportunity to take the temperature of the Jeddah commercial community. End Comment.

QUINN